

Lisa Anderson's Profit Through People® Newsletter



Enabling Scalable, Profitable Growth No 186, July 2022

As our inaugural newsletter from LMA Consulting's founding in 2005, Profit through People remains our flagship brand because although most clients call us because of our manufacturing, supply chain and technology expertise, the 80/20 of success goes straight to people!

Lisa's Note

Hope you had a Happy 4th of July!

I am excited to share my new video and interview series with you, [Supply Chain Chats](#). I'd love your feedback on topics you'd like me to address and people you'd like me to interview. We are keeping these succinct since we know everyone is busy, yet it is vital to stay abreast of what is going on in supply chain, and, more importantly, what you should be doing to thrive. I started the series with a dive into the [Russia-Ukraine war and baby formula shortages](#), and I've added insights on the [China-Taiwan tensions](#) and related impacts. We'll keep adding episodes on timely topics.



On a personal side, I enjoyed seeing my Mom and relatives in Arizona recently while on my way to see a client in New Jersey. Also, over the 4th of July, I saw Mulan Rouge at the Pantages. It was great to do something typical and normal pre-COVID and to spend time with friends. And, best yet, I was able to see Isaiah twice last weekend. He is full of smiles and adorable! Hard to believe he is already 7 months old.



Clients continue to think about inflation, deflation, reshoring/ nearshoring, and navigating global

volatility. Unfortunately, the supply chain continues to be a huge challenge with widespread shortages and inflation complicating customer service, revenue growth, and cash flow. We continue to see that [SIOB](#) can provide a way to get in front of what's going and be resilient with changing conditions. However, SIOB only goes so far if you don't execute, which is why we also emphasize the importance of [S&OE](#) (Sales & Operations Execution, also known as planning, supply chain and operations execution. Inventory is an increasing concern for manufacturers, and so we will address in our feature article. This edition will include:

- Are You Managing Inventory Or Is Inventory Managing You?
- Production Scheduling Best Practices Drive Increased Customer Service, Operational Efficiencies & Inventory Turns
- Upgrade Demand Planning Processes & Software to Navigate Economic Challenges

IN THE NEWS

I continue to be excited about media pickups & accolades. I'm especially thrilled to share that I've been recognized as a top [55 Supply Chain & Logistics Expert](#).

- Published an article "[Resiliency to Thrive During Inflationary & Volatile Times](#)" in the *Brushware* magazine.
- Quoted in ACHR's article, "[Some Supply Chain Challenges Ease, But Other Challenges Remain](#)"
- Interviewed on [Good Morning San Diego](#) about "Baby Formula Shortage causes supply chain concerns".
- Quoted in "[Inflation Busters: Protecting Profits As Costs Keep Rising](#)" in *Board Converting News* (quote on page 24).
- Recognized as a top [55 Supply Chain & Logistics Expert to You Should Follow on Social](#) by Flexport.
- Featured in a *Netstock* blog, "[Five tips to manage supplier risk in your supply chain](#)" which was based on a webinar [Manage the Impact of Supplier Risk in your Supply Chain](#)
- Interviewed on the Interlinks podcast, "[Supply Chain Challenges, Remedies & Leadership](#)"
- Featured in a SAC press release on [Profitable Growth Still Possible in Inflationary Times](#).
- Featured in a press release on [why worldwide supply chains are critical to supply chain strength](#) and one [introducing supply chain chats](#) which was picked up by [CSCMP](#).
- Our *Brushware* article, "[Proactive Planning to Grow and Scale](#)" was picked up by *Zephyr*.
- Our article "[The Customer is Always Right - the Importance of Customer Service](#)" was picked up by *NxtGen Nexus*.

Enjoy,
Lisa

P.S. Know anyone who is interested in getting ahead of the surge with strategies to thrive in 2023 and 2024? Refer them to [us](#).

The **STRONGEST LINK** in Your Supply Chain™



STRATEGY

Are You Managing Inventory or Is Inventory Managing You?



Inventory As a Top Business Priority

As executives continue to navigate these volatile economic conditions, the focus on inventory management increases. It is especially tough to determine what to do if you don't know if sales opportunities will dramatically increase as the competition falters and consumers drive demand or if

sales will tank as recession fears increase and business optimism falters. Worse yet, even if you can get ahead of the most likely scenarios and build resiliency into your processes, supply chain disruptions continue to abound. Thus, the best and proactive are increasing the focus on inventory management and are prioritizing strategic decisions related to inventory. Likewise, the worst are also prioritizing inventory because they are panicked over cash flow. As you can imagine, inventory expertise is in high demand!

Strategic Inventory Decisions

Let's start with the best of the best as these are the companies making strategic inventory decisions. The weak will let inventory manage them right out of business. The best of the best companies' executives are seeing opportunities in the future. They realize the weaker companies are struggling with inflationary pressures, supply chain disruptions, extended lead times, and changing customer requirements. Therefore, they are more likely to upset customers and leave opportunities in their wake, and so they want to be positioned to take advantage of these opportunities without allocating too many resources unnecessarily and ending up with the "wrong" products in the "wrong" place at the "wrong" time.

These companies are utilizing a [SIOP process](#) (Sales, Inventory & Operations Planning), also known as S&OP, to better predict potential opportunities and position supply to be ready to take advantage of the best of these opportunities. The SIOP process highlights the appropriate strategic decisions for your situation. Thus, although you'll need the appropriate talent to know when to pull the trigger, they are supported by a process that provides meaningful direction and surfaces opportunities. Instead of throwing the dart and hitting the exit sign (which has never happened to me:-)), they will at least aim for the outer ring, also called triple.

Practical Examples in Making Strategic Inventory Decisions

For example, a life sciences manufacturer of proteins had a strong pipeline of customer opportunities. Instead of simply focusing on aggressive growth with already existing customers, they were thinking three steps ahead and knew that they could further grow the business in the Asia Pacific regions if they could build the base infrastructure and build to a minimum stock level to support the most likely customers' immediate needs. Although their success was built on prudent investments and strict operational controls, they decided to take advantage of the opportunity. They brought us in to accelerate progress and rollout a SIOP process to gain insights as to where to focus investment dollars. To support the growth, they had to hire additional manufacturing talent, scale up a new facility, and prioritize an inventory build.

In a completely different scenario, a building products manufacturer had significant increases in demand during the pandemic as building and construction took off. As supply chain disruptions occurred, demand inflated further as companies became concerned about extended lead times and their ability to support customers if they planned for just-in-time deliveries as had previously worked effectively. Thus, they talked with customers, evaluated recent order patterns, and analyzed inventory factors in order to determine where to add inventory (which locations, skus and/or for which customers). They updated their inventory planning systems, trained resources, and took advantage of opportunities as competitors couldn't supply product. As interest rates started to rise, they knew it would have a dampening effect on their business at some point in the future, and so they rigorously focused on managing inventory levels without slashing production or inventory that would be needed to take advantage of opportunities or enable resiliency. For example, they shut down production lines to bring inventory levels down (so they didn't incur storage costs for the "wrong" products) but kept the people so that they could spring into action as opportunities arose. Of course, they also planned key projects to automate, reduce scrap, and perform critical maintenance.

Why the Focus is High on Inventory Management

When it comes to inventory management, the weak companies and strong companies are aligned. Inventory management has become a top priority. The strong companies are proactively managing inventory so that they can minimize the amount of inventory tied up throughout their supply chain unnecessarily. In essence, they have the optimal levels of inventory to ensure the successful execution of growth plans, customer service, operational efficiencies, and supply chain effectiveness. On the other hand, the weak companies are focused on reducing inventory to free up cash in order to meet payroll and survive.

Best Practices in Inventory Management: Start With Your Foundation

When thinking about best practices in inventory management, you must start with your foundation. Potential clients call and request training for resources and selection of software to support better inventory management. Unfortunately, these requests are typically the 20% of the 80/20 equation in achieving success. Thus, we change the conversation and suggest an assessment to determine where to focus to pull the 80% lever to accelerate progress and results.

Although every client is different (unique combination of people, skills, processes, systems, and strategic objectives), there are common issues that cause subpar inventory management results:

- Weak process disciplines
- Transactions do not occur on a timely basis
- [Inventory inaccuracy](#)
- Lack of visibility of inventory throughout the system
- Lack of focus on [demand planning](#)
- Confusion in thinking lean will "work" without fully implementing the appropriate cultural norms, hybrid practices as needed, and executive support when it isn't easy (ie. month end)
- Confusion over which inventory planning formulas and strategies to utilize

- Thinking they are limited by software
- Lack of a monthly cadence with a [SIOP process](#), also known as S&OP

Although you don't have to completely resolve these issues to make meaningful progress in upgrading your inventory management processes, it must be a parallel priority to sustain results.

Best Practices in Inventory Management: Upgrade Your Processes

The best of the best achieve industry-leading inventory turns while supporting financial objectives. The good news and the bad news as it relates to inventory management is that strong planning processes accompanied with a SIOP process will deliver results.

Depending on your industry, strategic priorities, company footprint, and overarching objectives, you will emphasize or deemphasize specific planning processes. The best practices will incorporate:

- [Demand planning](#)
- [Production Planning](#)
- [Capacity Planning](#)
- [Replenishment Planning](#)
- [Material Planning](#)
- Production Scheduling
- Logistics Planning
- [Vendor Managed Inventory](#)
- [Order Management/ Customer Service](#)
- [SIOP](#)

Before rolling out each of these best practices, perform a quick assessment of your situation from a people, process and systems perspective. This will give you a lay of the land so that you can see your strengths, weaknesses and opportunities and relative importance to achieving results. It will also provide a sequence of priorities to have the greatest impact. Then, the successful will focus on execution.

Refer to our [blog](#) for volumes of articles on these topics and read more about these types of strategies in our eBook, [Thriving in 2022: Learning from Supply Chain Chaos](#). If you are interested in talking about how to quickly upgrade your inventory management processes, [contact us](#).

[Did you like this article? Continue reading on this topic:](#)
[Getting Ahead of Inflationary and Deflationary Pressures Using S&OP](#)

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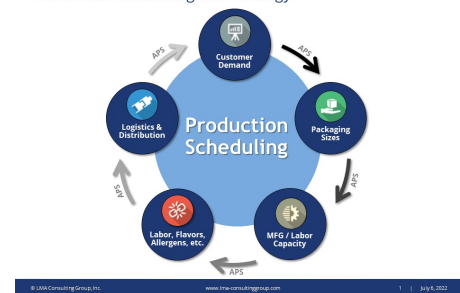
PLANNING

Production Scheduling Best Practices Drive Increased Customer Service, Operational Efficiencies & Inventory Turns

Manufacturing Challenged with Supply Chain Chaos

Manufacturing has struggled to produce what customers want on-time without spending a fortune and tying up excess cash unnecessarily in the wrong, "just-in-case" inventory. It is a tough environment spiraling out of control with supply chain chaos.

Production Scheduling Methodology



In the current state of affairs, there are historic levels of supply chain disruption and shortages, causing significant inflation and creating a bullwhip effect. When companies cannot obtain the materials and products required to keep production running and satisfy customer demand, they tend to over order, hoping they'll get product sooner. This creates inflated demand, further extends lead times and inflates prices in addition to causing "fake" demand down-the-line (bullwhip effect). Suppliers try to keep up with demand, attempt to hire people and procure additional materials, and this continues down-the-line.

At some point, demand falls off (at least for some of the products, even if total demand stays intact), and the wrong materials and products end up in the wrong place at the wrong time. This creates panic in the opposite direction with customers postponing and canceling orders, and the effects are felt down-the-line once again with a new bullwhip effect. The bullwhip started at the beginning of the pandemic, and it has been swinging from side to side and creating volatility ever since with no signs of slowing down. Disruptions abound with the [Russia-Ukraine war](#), the [China-Taiwan tension](#), the computer chip shortages, and typical weather events.

Proactive Planning to the Rescue

Successful manufacturers will get off the bullwhip swing. Instead, they will take control of their end-to-end supply chain with [proactive planning](#). This starts by getting a better handle on their sales forecast by developing a [demand plan](#). Given the level of volatility and complexity in today's simplest of supply chains, they must get a picture of future demand. A combination of statistical formulas, sales and market input, customer demand, and proactive management will go a long way to providing a view into demand.

Next up, you'll need a [master schedule](#) which will provide a long-range production plan and [capacity plan](#). These proactive plans will allow you to determine the machinery and equipment required to support your production plans, the staffing and training plans needed to bring your plans to fruition, the purchase and supply plans (inclusive of insource, outsource, offload, and outside processing) needed so that you can proactively work with suppliers and source partners, and the storage and distribution plans required to support your customers. The best planners are constantly evaluating alternatives to maximize customer value, efficiency and profitability, and

working capital. These plans do not address the shorter term.

Handoff to Production Scheduling

Production scheduling picks up where master planning leaves off and addresses the short-term planning horizon. Since the strategic decisions typically arise with the master planning data, the powerful value of production scheduling is often overlooked. Plans rarely fail in formulation. They fail in execution. The production schedule is that execution.

Production scheduling provides a plan of what will be produced on which line, in which operation, in which sequence, at what time to achieve three objectives simultaneously:

- **Customer service:** Satisfying the customers need on-time as measured by OTIF (on-time-in-full) or OTD (on-time delivery) and to the customers' expected lead time.
- **Profitability:** Scheduling the production facility in the optimal manner to maximize output with the least amount of labor, minimize scrap, and minimize operational resources and costs.
- **Working capital:** Achieve high levels of customer service and profitability with the least amount of inventory throughout the network to support production and customer demand.

Good production schedules will maximize service, profit and working capital. Bad production schedules will not only suboptimize these three outcomes, but chaos and confusion will follow.

Production Scheduling Factors

As the production scheduling graphic depicts, the production scheduling sequence Material planning should consider the following factors:

- **Run size** - the best set run quantity based on economic order quantity concepts. It is rare to see a client with full information to complete an official analysis on EOQ; however, every client has at least directionally correct information to make an informed decision to get the process rolling.
- **Run frequency** - typically, you'll set a sequence that makes sense with your customers' demand patterns (volumes, frequencies), operations and quick-change capabilities, lead time requirements, etc.
- **Service policies** - your production schedule and changes to the production schedule will have to be configured around your service policies
- **Constraints** - your production schedule will also have to be configured around your capacity constraints (machinery, tools, labor, storage), maintenance and quality constraints, bottleneck operational constraints, material / ingredient constraints, etc.
- **Sequencing** - you'll also need to consider sequencing priorities to support operational performance objectives.

Production Scheduling Sequencing

A critical priority in production scheduling is sequencing. Following the graphic, you'll see the sequencing priorities in a beverage operation:

- **Customer demand:** Items, volumes
- **Packaging and/ or sizes:** If you are producing soft drinks or power drinks, you start with packaging (6-pack cans, 8-pack bottles, 2-liter, etc.) and sizes (12oz, 20oz, etc.). Packaging and sizes will dictate which production line(s), equipment, and machinery will be required to support the production schedule.
- **Manufacturing capacity:** Once you know you are running cans on the production line, you will want to make sure you have enough machine and equipment capacity to run enough cans to meet your needs.
- **Labor capacity:** Assuming you have enough machine capacity, you will need to make sure you have enough labor capacity on the appropriate shifts needed. If not, you'll need to find a way to allocate capacity from a different line, cross-train resources, and/or hire resources.
- **Flavors:** When it comes to sequencing, you'll want to start at the top level (bottles), go packaging and sizes (8-pack 12oz), and then go to flavors (coke, diet coke, cherry coke) to minimize changeovers.
- **Allergens:** When it comes to food and beverage, you clearly need to segregate allergens and sanitize between allergens and non-allergens. You would not want to sanitize after producing for an hour!

In working with hundreds of manufacturers across multiple manufacturing environments (process, job shop, configure-to-order (CTO), engineer-to-order (ETO)) and industries (aerospace, food and beverage, building and construction, healthcare and life sciences), these same principles apply. Sequences are determined by the following: size, material type, surface finish, accessories, labor requirements (# of people needed to run the item), subsequent operations, and many more.

Production Scheduling Strategies

Production scheduling is art and science. The best planners use a combination of art and science. There are a few alternative strategies although the best figure out the "right" combination of strategies that best supports the business:

- **Reorder point / Kanban** - in essence, you schedule to an agreed upon reorder quantity when your item falls below a specified level (reorder point).
- **MRP** - in this case, you schedule to customer or forecast requirements within a time period in quantities based on the economic order quantity (assuming you've set that quantity in the system).
- **Production wheel** - this strategy level loads across changeover groups to create a sequencing of changeovers that is optimized for production yet meets service policies.

There are tradeoffs, benefits and costs to each approach depending on your customer demand, service policies, operational constraints, production sequencing factors, bottleneck operations, and other issues. Frequently, we see a combination of approaches based on what makes sense for each unique situation. Common sense production scheduling yields the best results!

Client Example

Sticking with the food and beverage example, a food bar manufacturer wanted to gain significant improvements in operational performance from an optimized production scheduling process. They successfully satisfied customer requirements and had recently upgraded their manufacturing facility and equipment to gain operational efficiencies. Thus, the next logical step was to optimize the production schedule to gain full production runs in optimized sequences which they thought would provide a 10-point improvement.

After resolving related bottlenecks that clouded the production scheduling picture, we worked with sales to stabilize the demand plan for a 4-month window and then translate that demand into a level loaded monthly production wheel. Of course, no operation can be fully level loaded because business conditions and customer requirements change. However, by gaining the 4-month window into demand, grouping like-items, sequencing in a logical order to minimize changeovers and disruption, integrating an ABC flow with certain groups of items running more frequently than others (weekly, monthly, quarterly), and allocating capacity for non-forecastable orders or supply disruptions, we optimized the schedule and were able to maintain resiliency with changing conditions. Of course, conditions changed (ie. pandemic arose, inventory became a higher priority), and we were able to pivot to changing conditions and deliver significant results.

A solid production schedule will turn chaos into stability. As stability is achieved, operational costs are reduced, expedite costs minimized, inventory turns increased, lead-times reduced, obsolete and slow-moving inventory minimized, employee morale improved, etc.

Refer to our [blog](#) for many articles on planning, capacity and related concepts. Also, read more about these types of strategies in our eBooks, [Thriving in 2022: Learning from Supply Chain Chaos](#) and [Future-Proofing Manufacturing & Supply Chain Post COVID-19](#). If you are interested in talking about what it would take to optimize your production scheduling scenario, [contact us](#).

[Did you like this article? Continue reading on this topic: Improving Service Levels, Logistics Efficiencies, and Inventory Turns with Replenishment Planning Best Practices](#)

Thriving in 2022: Learning from Supply Chain Chaos

Check out our [eBook](#) on what is relevant in 2021 according to manufacturing, supply chain and technology executives.

ERP & RELATED TECHNOLOGIES

Upgrade Demand Planning Processes & Software to Navigate Economic Challenges



Why Demand Planning is Critical

During times of volatility including inflation and recession, forecasting future sales becomes even more vital than it is during regular business cycles. Emerging from the pandemic, the global markets have experienced rising costs and significant demand. In the U.S., vast stimulus was added to the economy, creating pent up demand. At the same time, there was a lack of supply as manufacturers cut back during the pandemic and couldn't find the people, materials, and equipment to keep up "regular" demand, let alone heightened demand.

Additionally, other supply chain disruptions arose such as the Russia-Ukraine war, further exacerbating supply chain challenges. Unfortunately, companies dependent on Chinese manufacturing are suffering further due to global logistics challenges, China's lockdowns, and more. No one has the "right" inventory in the "right" place at the "right" time (and definitely not at the "right" cost) without a robust demand planning process.

Demand Planning (Sales Forecasting) To the Rescue

Demand planning is integral to utilizing scarce resources effectively. No one can afford to produce the "wrong" products with limited labor and material resources! Creating a demand plan will provide the best insight into future sales. As the key step of a [SIOP process](#) (Sales, Inventory & Operations Planning), also known as S&OP, creating the demand plan provides visibility into what customers will need. Most clients build a demand plan for a minimum of a year, focusing in on the budget year timeframe. In certain industries that have longer-term contracts, the demand plan will go out 2-5 years to provide insights into long-term decisions such as buying facilities.

The best practice demand plan will include the following information:

- Markets and/or customer groups
- Product groups that are meaningful from a manufacturing and/or materials standpoint
- Any noteworthy regional impacts (for example, if Asia is growing at a higher rate than Europe, this insight is important)
- Dollar forecast (and/or appropriate currency) by month by region/ distribution center/ production facility (depending on what is needed to ensure supply)
- Quantity forecast by month by region/ distribution center/ production facility (depending on what is needed to ensure supply)
- Unit of measure
- If you have multiple units of measure, a base unit of measure would be ideal.
- Key events, promotions, and/or
- Price changes
- Product transitions
- Forecasts for new products, customers, and/or locations
- Incorporates quote probabilities and inventory agreements

Best practice [demand planning processes](#) help executives predict the unpredictable.

Do You Need Demand Planning Software?

Of course, the answer to whether you need a demand planning software to be successful in forecasting is "it depends". Multiple clients have utilized already existing tools and/or Excel (not demand planning software) to create a simple forecast that was fed into a SIOP process and achieved exponential results. For example, an industrial manufacturer took information from their ERP system, applied simple statistical formulas and created a forecast in Excel for 24 months with a greater degree of accuracy on the current fiscal year. They were able to utilize this forecast to successfully order long lead time materials and plan capacity (including taking actions to offload

production they could not support and purchase additional equipment to shore up certain work centers in their operation), resulting in high service levels (OTIF, on-time-in-full) and successful execution of dramatic growth.

On the other hand, there are other situations where a demand planning software is required to create a sustainable process. Generally-speaking, high volume, promotion prone consumer industries require a demand planning software to succeed long term. For example, a food and beverage manufacturer used a forecasting system to create a base demand plan. It was able to pick up on changing trends, segregate promotions from regular business, and provide a more directionally-correct demand plan by location which was essential to supply Walmart, Walgreens, and Costco locations successfully. In addition to improving OTIF, the big retailers charged for stockouts at customer locations.

Demand planning is not a black or white situation. There are countless industries and examples in the middle. In certain situations, it makes good sense to utilize a demand planning software, and in other situations, it wouldn't add value. It could depend on the customers, the capabilities of the company, other investment opportunities and rates of return, etc. Software itself never drives success. In fact, in many situations, it could drive worse results if not implemented well and/or if the company doesn't have the resources and capabilities to maintain it. On the other hand, software can automate the repetitive so that your resources can focus on exceptions to drive greater success. For example, a lawn and garden tools manufacturer that supplied agriculture customers as well as customers like Home Depot and Lowes could achieve success with or without a demand planning software. In their specific situation, they already had robust process disciplines in place and high-skilled resources, and so it made good sense to upgrade the process with a demand planning software to take results to the next level and refocus resources away from mundane tasks to higher value tasks.

How to Select a Demand Planning Software

When demand planning software will provide an upgrade to your process and results, attention should be applied to selecting the best software to meet your business needs. As is true with best practices in [ERP selection](#), selecting demand planning software starts with your business requirements.

Collect your business requirements to support a demand planning process. What functionality is important in developing a demand plan for your situation. For example, a few questions to consider in getting started include:

- Will statistical formulas suffice in gaining a directionally-correct forecast?
- Do you have promotions? If so, are they repetitive at the same time during the year and typically the same type of promotion?
- Do you get customer forecasts and/or consumption / usage data? If so, would analyzing to this greater level of detail provide a value-added benefit over statistical formulas?
- Do you have new products, customers, and/or locations? If so, would you be able to model the forecast of a similar product, customer or location?
- Do you gain better insights into your forecast at a product line level or aggregate grouping of products? If so, would you increase or decrease the forecast by a percentage across the entire group and want the software to spread it to the appropriate mix of products and/or locations?
- Do you have better insights into your forecast at the location or region level? If so, would you gain value by letting the system spread the forecast to the appropriate mix of products?
- Do you have price changes occurring throughout the year that you'll need to incorporate as of certain dates?
- Do you need to incorporate quotes and/or inventory agreements?
- Do you solely need a demand planning system or are you looking for a supply planning and/or replenishment system as well?

Next, research potential demand planning software options. Although this appears easy to do online, it is far from easy to get to the appropriate level of detail to end up with software options in the appropriate price range with the most critical functionality features. As a globally recognized expert in selecting software, our Google searches only yield appropriate results less than 20% of the time. Frustrating! You don't need a lengthy list. A few decent choices will suffice.

Depending on your company size, complexity, investment budget, and other factors, you will

perform a simplified or comprehensive RFP (request for proposal) where you compare the software options to your business requirements to narrow the selection options. Typically, you should demo 2 or 3 options to see how the software will be used to meet your business requirements. Track how each software satisfies your business requirements and focus on those critical to your process. It is easy to get lost in bells and whistles the software suppliers want to show you instead of focusing on what will drive value for your business.

In addition to comparing functionality, you'll want to compare pricing and partners. Pricing is another black hole. Getting apples to apples pricing is nowhere near as easy as it appears, and it is always extremely misleading. Dig into pricing until you have a side-by-side comparison of like items, considering short term and long term. Typically it is best to use a total cost of ownership calculation over 5 or 10 years, depending on your circumstances.

Finally, dig into the partner. 80% of success is in implementation, and your partner will be integral to this result. Every supplier will have success stories and talk a good game or they will not be in business very long. In fact, there are more sharks in software sales than in almost any other industry. They sound wonderful, but when rubber meets the road, it is often a different story. Make sure you don't marry the wrong partner while selecting the "right" software.

Using a Demand Planning Software

The great news is that if your business is well-suited to use a demand planning software, using the software will simply enhance your manual process. Remember, it won't work to implement a software without solid process disciplines and data integrity. On the other hand, assuming you are starting with a solid base, you'll gain key advantages.

- Automate your repetitive manual tasks.
- Enable greater use of statistical formulas and will choose a "best fit" formula based on historical data.
- Gain access to increased functionality to manage events and promotions.
- Reduce effort and time in calculating forecasts at lower levels of detail which are statistically incorrect and focus efforts at more meaningful levels (groups of customers, products, etc.)
- Typically your forecast will easily transition to your ERP system and into your planning and capacity analyses.
- Focus attention on exceptions and deviations to drive results
- Gain accuracy at sku and location detail - in most situations, more effort won't yield results; however, software will yield results.

Demand planning software will add value if you have a solid base. The only question is how much value in comparison to the cost and resources required to implement and maintain. For certain industries, it is integral to achieving superior delivery performance with high levels of OTIF and quick lead times.

Incorporating into S&OP, also known as S&OP

Demand planning software will not achieve the intended results if not incorporated into a [S&OP process](#) (Sales, Inventory & Operations Planning). The demand plan is the "S" of S&OP and required to drive capacity and staffing, sourcing, long-lead time material, and customer and product priority decisions at a minimum. S&OP inclusive of demand planning is not a one-time process; instead it should be conducted on a monthly cadence, looking out at a 12-24 month horizon. Results will follow.

As clients gain traction, they are tempted to skip monthly cycles. Keep the priority focus on S&OP inclusive of your demand plans. If you focus on exceptions and changes, the process will be quick yet critical to keeping resources aligned on priorities and addressing changing conditions. Undoubtedly, with the level of volatility in today's business environment, sticking to the process will yield exponential results. For example, one of our most successful clients is vigilant in prioritizing Executive S&OP meetings (and associated processes). Even in months where key executives believe there are no changes, 80% of the time something arises through the process that keeps them ahead of the curve in pivoting strategies or ensuring the alignment of demand and supply, and most importantly, the related resources. This client will undoubtedly be better prepared for the next curve ball.

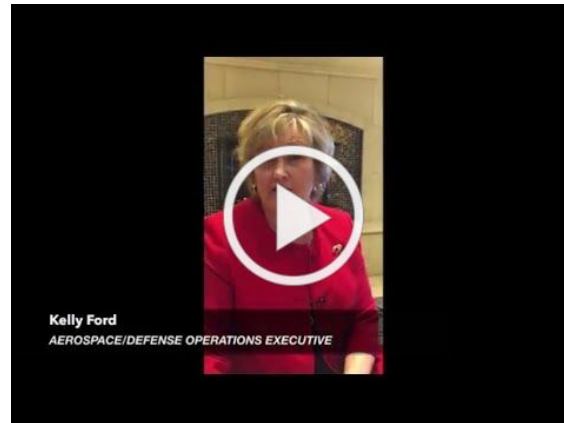
If you want to pursue upgrading your demand planning process, upgrading your use of technology and/or incorporating into a S&OP process, review our [S&OP webpage](#) of resources or [contact us](#) to

discuss further.

[Did you like this article? Continue reading on this topic:
Managing Increased Complexity with High OTIF & Efficiencies Using Technology](#)

Listen to a Client Example

Thank you to Kelly Ford for talking about our work together on SIOP, planning & other topics to increase OTIF and operational performance.



Connections

THIS MONTH'S REQUESTS:

- If you have a supply chain or operations position, post it on our Association for Supply Chain Management Chapter (ASCM/ APICS) [website](#).
- Do you know a top notch investment banker or environmental attorney in the Southern California area interested in growing his/her business and meeting top-notch trusted advisor colleagues in the Inland Southern CA area? My [ProVisors](#) group has an opening for these professions, and we have lots of referrals for these professions on a regular basis. Please introduce [me](#).
- If you are looking for a highly-skilled Supply Chain Manager with planning, purchasing, and inventory experience, please [contact me](#) for a referral.

NOTE: To submit an item for this section, please send me an email with a short description of your needs and an email address. Please note that NOT all requests will be published as it must fit the guidelines and align with the Profit through People brand.

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